

# Measuring Treasury Debt and Market Depth

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## Abstract

This paper introduces index number theory to our analysis of US Treasuries, the depth of their market, and fiscal capacity; more generally. Using the user cost of Treasuries derived herein, I construct an index that tracks the true quantity of US Treasury debt and the monetary service flows provided by Treasuries. The importance of this view can be seen in the differing Treasury market reactions to the European debt crisis and COVID-19's “dash for cash” scenario. Despite large amounts of deficit spending in both situations, this measure reveals that market depth rose dramatically in light of the former crisis and fell during the latter.

Keywords: US Treasuries, Market Depth, Aggregation, Fiscal Capacity, Index Number Theory

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